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## POSTAL NEWS

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### Postmaster General and CEO Louis DeJoy's Remarks During Aug. 9, 2022, Postal Service Board of Governors Meeting

WASHINGTON, DC — *The below remarks are as prepared for delivery by Postmaster General and CEO Louis DeJoy during the open session meeting of the Postal Service Board of Governors on Aug. 9, 2022.*

"Thank you, Mr. Chairman.

I would also like to publicly welcome Governor Tangherlini and Governor Kan to the Board and thank all the governors for their guidance and public service.

The management team and I look forward to your continued consultation and support as we move forward with the many initiatives underway at the Postal Service.

#### Financial

In a few minutes Joe Corbett will give you an overview of our current financial results which are showing improvement despite some stiff inflationary pressure.

When I first joined the Postal Service, we were projected to lose 160 billion dollars over the next 10 years and run out of cash in the near term.

Today that deficit is substantially less, but we are still looking at \$60 to \$70 billion of losses over that period — which we will quickly wipe out our 20 billion dollar cash balance — unless we take immediate and substantial action.

All stakeholders need to realize that each day lost in executing on our strategy will consume cash and eventually accumulate to a cash deficit that will necessitate more aggressive actions by us or the federal government.

While we celebrate the passing of the Postal Reform Act and the reduction of our costs that it enabled, it should not be lost on any of us that one of the key benefits of the new law is that it is also simply a deferral of our "pay as you go" portion of our retiree health benefit obligation, thus enabling us to prepare to cover this massive expense that we will be responsible for in a few short years.

Our required payments to our employee's retirement health care plan again begin in 2026 and grow to approximately \$6.7 billion a year.

We will not be able to make these payments unless we timely engage in and accomplish all our initiatives — and we are trying to do just that!

This loss reduction effort will include the transactional improvements we need from our day-to-day operations — and the structural changes we need to make to overcome the years of neglect — neglect in strategy, neglect in discipline and neglect in resolve.

## **Operational**

From an operational viewpoint, our teams led by Dr. Josh Colin, Isaac Cronkite and our new addition Kelly Abney are working hard ...and together ....to improve our service, and we have already made significant progress in that regard.

Scott Bombaugh will later speak to you about the improvement to our service scores across the board.

Postal management has been dialing down on almost every detail of our operations and correcting for negative processes or actions that hurt service or add cost — plant by plant, delivery unit by delivery unit and transportation lane by transportation lane.

This transactional effort will produce improving results but fall far short of what we need to do to thrive in the near and distant future.

The improvements required for future survival can only be attained by executing on the necessary structural changes in our processing, transportation, and delivery network.

Our concepts are not revolutionary — they are basic and achievable and will shed thousands of truckloads a day, rid ourselves of wasteful operating practices, increase density in our delivery routes and will align our service and price to win new revenue in the marketplace.

These initiatives also result in significant reduction in our carbon footprint.

Our difficulties in the timely achievement of this new network lie in uncovering and rectifying the costly complexity of our existing operations, streamlining them, and doing so in a manner that mitigates our risk of performance.

Our difficulties also lie in resistance and interference to the necessary changes that will ensure that we will not only survive, but thrive.

Initiatives by stakeholders to delay the simplest of our operational changes to integrate our network, improve our service and reduce our cost are relics of our failed strategies of the past.

These actions have led to the near financial ruin of the Postal Service and I ask all stakeholders — mailers, shippers, legislators, and regulators — to support this management team and board of governors in what I believe should be our collective efforts to move swiftly with our plans to Save the Post Office and ensure a vibrant organization that provides the excellent service which our customers and country deserve.

Some other operational items I would like to highlight are as follows.

We are very proud of our continued partnership with the White House, the Department of Health and Human Services and the Defense Logistics Agency to deliver COVID Test Kits throughout the nation.

To date, we have delivered 550 million test kits to 180 million households. Our average delivery time throughout the country is slightly greater than 1 day.

Election season is upon us and so far this year we have successfully participated in 54 primaries, runoffs and special elections, delivering approximately 40 million ballots to and from voters.

Americans should be confident that the United States Postal Service is well prepared and will provide extraordinary service in these coming November elections.

We are now preparing for our peak season, and I am confident that we will be in good shape for this year's challenges.

We will be adding approximately 120 package sorters throughout the network this year bringing the total since the release of the Delivering for America plan to 250 units across the nation, while adding over 13 million square feet to accommodate them.

This, combined with improved operating practices, will make the United States Postal Service your best option to ship your packages....and your only option to cost effectively mail your Christmas Cards. So ship them together, in an integrated manner!

We continue to recruit new employees to the organizations with job fairs and other initiatives around the nation with better than average success.

Many of our functional areas are near fully staffed and we have meaningful increases in our full-time career employment. This will enable us to rely less on seasonal employees which we believe will prove difficult to hire this season.

Having said that we are still having trouble in hiring new letter carriers, especially in the in rural communities. We are deploying new recruiting tactics and working with our union leadership to develop ways to improve on this situation.

### **Electric Vehicles**

As everyone knows, the progress we have been making in improving our financial condition as well as our developing future operating strategy has enabled us to increase our commitment to electric vehicles consistent with our delivery vehicle strategy.

We have also committed to file Supplemental Environmental Impact Statements on our acquisition intentions on more frequent intervals.

This will enable us to capitalize on any EV opportunities — as the market catches up to the Postal Services needs and leadership in this initiative — and as our operating strategy continues to evolve.

While the NEPA filing strategy is new, the underlying fundamental Postal Service strategy of taking a step-by-step analysis of total operating cost, our financial condition and network changes when making acquisition decisions, has been in existence since we announced the program over 18 months ago.

This flexible strategy has and will continue to enable us to accommodate a thoughtful and cost-effective approach as our conditions improve and new opportunities are presented.

I also want to take a moment and recognize the Postal Service vehicle team that has spent many years studying the issues and making incremental recommendations as our operating and financial conditions have changed.

I am confident that we have the best, and only, team in the nation solely focused on understanding the needs of the Postal Service.

This team has and will continue to guide my decisions to reduce our impact on the environment while safeguarding our employees and fulfilling our mission to the American people, as defined and required by law.

### **Management Team**

I now would like to recognize our management team. First to the 15 people in my executive leadership team and the 30 or so Vice Presidents who over the last year have become champions of this transformation. You have evolved as thoughtful leaders strategizing and implementing the changes we need to make in a powerfully collaborative manner. We are a unified and purposeful team.

We are now harnessing the power of our District Managers, Postmasters, Plant Managers, Supervisors and other field personnel to assist in the major operational and service initiatives we are pursuing.

To accomplish these goals, we will need all our hands participating in our initiatives including Union and Management Association leadership and every employee, as the transformation required will take all our efforts and require us to take steps that require trust in the face of tough reality.

I pledge to continue to work to earn that trust as we pursue our transformation and our mission.

As everyone knows, inflation has hit the nation hard, and the Postal Service has not avoided its impact.

We expect inflation to exceed our expectations by well over a billion dollars against our planned 2022 budget.

Because of this, my recommendation to the governors will be to remain on course to raise prices again in January.

I will soon begin to evaluate what we will be doing in 2023 as I pledge to keep the mailing community informed.

We must deal with the reality of our financial status and the impact inflation will have on our improvement strategies.

And finally, I would like to thank all our Postal employees for their hard work and express my appreciation for their service to the American people.

I ask that you have confidence in your leadership team and understand we are committed to improving your working environment and ensuring that you have a positive relationship and long-term career with the Postal Service, as we together serve our nation.”

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